

SCOPE OF SALES TAX ON GOODS UNDER THE SALES TAX ACT, 1990

Presented by:

Shah Hilal Khan, Manager Taxation - SSGC

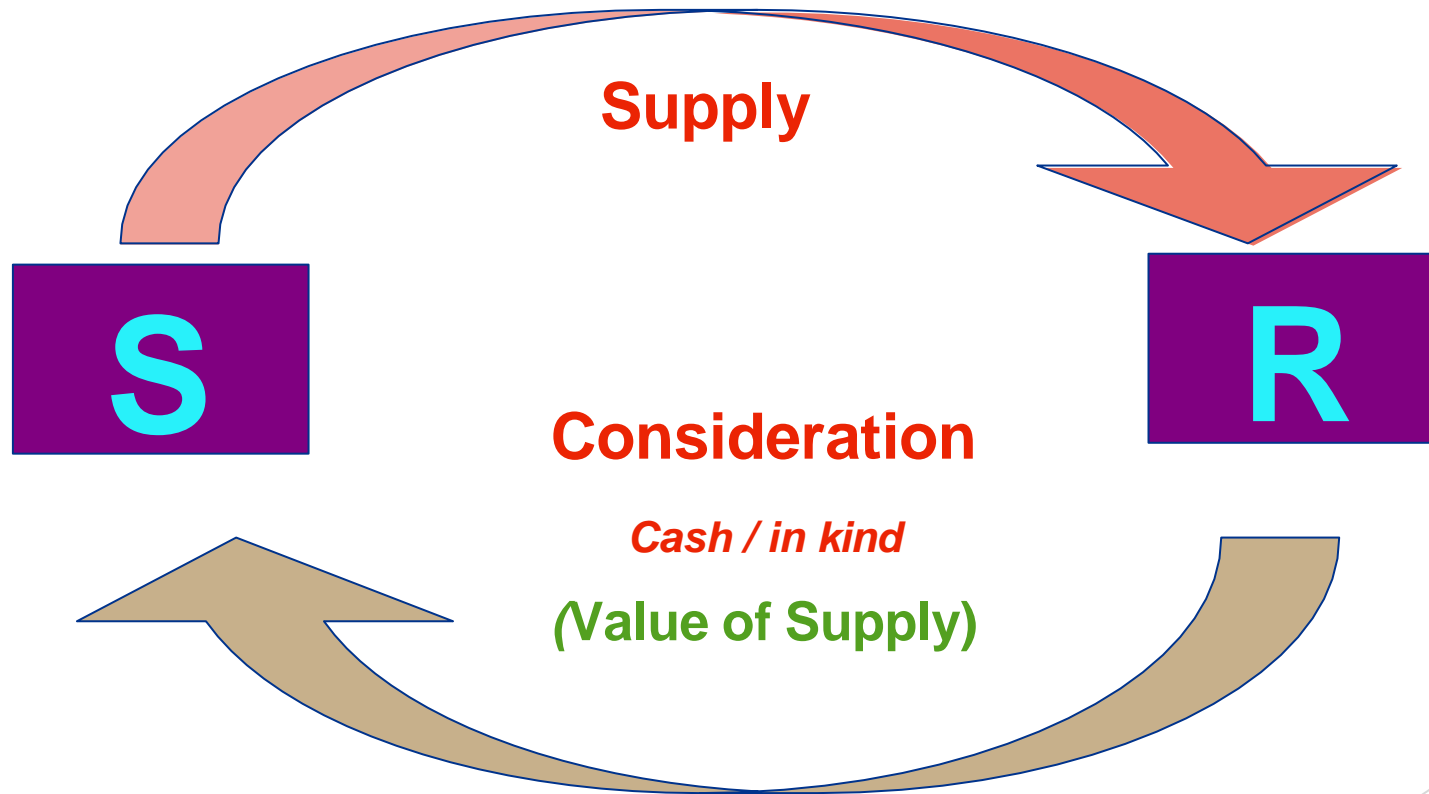
THE SALES TAX ACT, 1990

PREAMBLE

Law relating to levy of a tax on the sales,
importation, exportation, production,
manufacture or consumption of goods

Mechanism in Supply of Goods

Supplier, Recipient & Consideration



What is Sales Tax [GST]?



GST is charged and collected on supply of goods by registered person



GST is a multi-stage levy which is charged at each stage in the supply chain.



At the time of import, the importer is responsible to pay GST.
At the time of sale, the supplier is liable to pay to exchequer



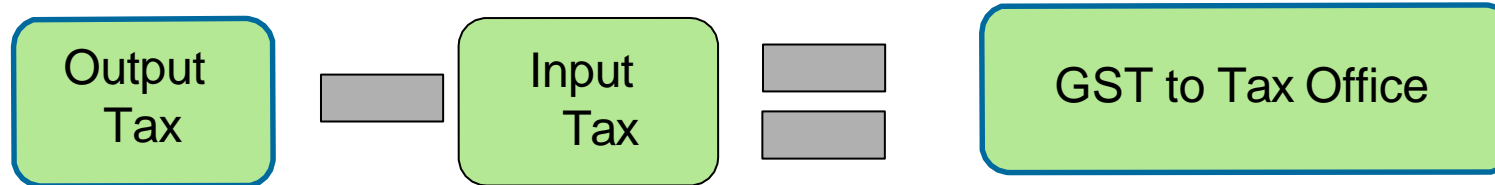
GST paid on purchases and import of goods is adjusted from GST due on account of supplies of goods



GST (GST) now applies in over 167 countries at varying rates

General Principles of GST

GST Formula



	GST
GST charged at the point of Sale (Output)	20,000
Less: GST paid on purchases (Input)	(7,000)
Less : GST paid on import (Input)	
Net GST Payable to Government	(10,000)
	3,000

Value of Supply - sold to distributor	850		
Input Tax @18%	153		
Total Price	1003		Payable to Manufacturer
Value of Supply- sold to trader	950		Distributor Margin - Rs.100
Output Tax @18%	171		
Total Price	1121		Payable to Distributor
Payable to Government by Distributor: Output-Input	18		
Value of Supply - sold to retailer	1000		Trader Margin - Rs.50
Output Tax @18%	180		
Total Price	1,180		Payable to Distributor
Payable to Government by Trader: Output-Input	9		
Retailer sold to Consumer	1,200		Retailer Margin- Rs.20

SCOPE & PAYMENT OF SALES TAX ON GOODS

Section-3

Situations for Charging, Levying & Paying Sales Tax

Situation-1 [Section 3(1)]

Sales Tax shall be charged @ 18% of **value of taxable supplies** made by a **registered person** in the course or furtherance of **taxable activity**.

Sales Tax shall be charged @ 18% of Value of **Taxable Goods** imported into Pakistan

IN THE COURSE OR FURTURANCE OF (Case Laws)

Taxable Supplies made by the registered person in the course of furtherance of taxable activity is mandatory for charge of Sales Tax.

- PTCL 2007 CL 565 (S.C Pak)

The meaning of "in the course of" can be taken to mean as connected with, related to and having some nexus with the business/taxable activity and similarly "in furtherance of" indicative of the fact that taxable supply had been made for the enhancement/further development of the business/taxable activity. It is abundantly clear that the taxable supply has not been confined or limited to the one which is the product or the goods manufactured but also including those goods which involve in some way with the progress, promotion, advancement of business/activity/ taxable activity.

TAXABLE SUPPLY AND TAXABLE ACTIVITY (Case Laws)

Two conditions are essential to levy sales tax namely taxable supplies and taxable activities.

- PTCL 2003 CL 461 (SHC, Khi):

Tax under STA, 1990 is charged, levied and paid only when taxable supplies is made in the course or furtherance of “taxable activity”, as such the expression “taxable supplies” involves in whole or in part the supply of goods to any other person.

Section-3: Liability for Payment of Sales Tax [Section 3(3) & (3A)]

- In the case of supply of goods, of the **person making supply** [Supplier].
- In the case of goods imported into Pakistan, of **person importing** the goods.
- In the case of supply of goods, of the **person receiving the supply** as notified by Federal Government

Section-3: Situations for Levy of Sales Tax

Situation-2: [Further Tax [Section 3(1A)]]

Where taxable supplies are made to a person who has not obtained registration or he is not an active taxpayer, there shall be charged, levied and paid a further tax @ 4% in addition to rate specified in sub-section (1),(1B),(2),(5),(6) and Section 4.

Goods Description	Value of Supply	Amount of ST @18%	Amount of Further Tax @4%	Total Amount Including ST
TV	1000	180	40	1,220

Section-3: Situations for Levy of Sales Tax

Exclusion from Further Tax- SRO 648 of 2013

- Electrical Energy supplied to domestic and agricultural consumers.
- Natural Gas supplied to domestic consumers.
- Motor spirit oil, jet fuel, kerosene oil & fuel oil.
- Goods sold by retailers to end consumers.
- Supply of goods directly sold to end consumers.
- Items falling under Third & Fifth Schedule of ST Act.
- Second hand worn clothing and other worn articles. [SRO 487/2016 dated 30.06.2016]
- Fertilizer. [SRO 585/2017 dated 01.07.2017]

Section-3: Situations for Levy of Sales Tax

Exclusion from Further Tax- SRO 648 of 2013

- Supplies by Steel Melters, re-rollers, and ship breakers. [SRO 585/2017 dated 01.07.2017]
- Supplies covered under Fifth Schedule to ST Act. [SRO 585/2017 dated 01.07.2017]
- Supplies by foam or spring mattresses and other foam products for household use. [SRO 780/2018 dated 21.06.2018]
- Supplies made to Government semi-government and statutory regulatory bodies. [SRO 692/2019 dated 29.06.2019]
- Supply of white crystalline sugar. [SRO 692/2019 dated 29.06.2019]
- Supplies by steel sector. [SRO 1223/2021 dated 17.09.2021]
- Supplies by edible oil sector. [SRO 1223/2021 dated 17.09.2021]

Section-3: Situations for Levy of Sales Tax

Situation-3 [Section 3(2)]

Taxable supplies and import of goods specified at **Third Schedule** shall be charged @ 18% or @ reduced rate as provided at Eight Schedule on **Retail Price**.

Sales Tax and Retail Price shall be **legibly, prominently and indelibly printed or embossed** by the manufacturer or importer on such goods

ST Payment on Goods at Retail Price

Retail Price + Sales Tax=Consumer Price

Retail Price	1,000		RP Set by Manufacturer	
Sales Tax @18%	180			
Consumer Price	1,180	<div> <div>No Tax Liability</div> </div>	CP Mentioned at Tea Packet	
Distributor Price	850			
Input Tax @18%	180			
Total	1,030		Payable to Manufacturer	
Retailer Price	950		Distributor Margin - Rs.100	
Output Tax @18%	180			
Total	1,130		Payable to Distributor	
Consumer Price	1,170		Payable to Retailer having Margin - Rs.40	

Section-3: Situations for Levy of Sales Tax

Situation-4 [Section 3(2)(aa)]

Goods specified at Eight Schedule shall be charged to tax at such rates and subject to such conditions and limitations as specified therein.

Section-3: Situations for Levy of Sales Tax

Situation-5 [Section 3(1B)]

On the goods specified in the **Tenth Schedule**, in lieu of levying and collecting tax under sub-section (1), the tax shall be levied and collected, in the mode and manner specified therein–

- (a) on the production capacity of plants, machinery, undertaking, establishments or installation producing 153[or] manufacturing such goods; or
- (a) on fixed basis, from any person who is in a position to collect such tax due to the nature of the business.

Section-3: Situations for Levy of Sales Tax

Situation-6 [Section 3B]

Goods specified in **Ninth Schedule** shall be charged to tax at such rates and subject to conditions as given thereto.

Section-3: Situations for Levy of Sales Tax

Situation-7 [Section 3(5)]

The Federal Government may, in addition to the tax levied under sub-section (1), sub-section (2) and subsection (4), levy and collect tax at such extra rate or amount not exceeding eighteen per cent of the value of such goods or class of goods and on such persons or class of persons, in such mode, manner and at time, and subject to such conditions and limitations as it may, by rules, prescribe.

Section-3: Situations for Levy of Sales Tax

□ SRO No.1222(I)/2021 dated 17.09.2021

S. No.	Type of consumer connection	Amount of monthly bill	Rate
(1)	(2)	(3)	(4)
1.	Industrial	-	17%
2.	Commercial	Upto Rs. 10,000	5%
		10,001 to 20,000	7%
		20,001 to 30,000	10%
		30,001 to 40,000	12%
		40,001 to 50,000	15%
		50,001 and above	17%

Extra Tax - (Case Law)

The Sindh High Court [SHC] ordered for collection of 17% Extra Tax and 4% Further Tax even from those consumers who are not liable for registration under the Federal Sales Tax Law.

[SHC order dated 24.08.2023 in case of AUS Food vs. Federation of Pakistan and Others]

Section-3: Situations for Levy of Sales Tax

Situation-8 [Section 3(7)]

The tax shall be withheld at the rate as specified in the Eleventh Schedule, by any person or class of persons being purchaser of goods or services [other than the services liable to pay sales tax under a Provincial enactment,] as withholding agent for the purpose of depositing the same, in such manner and subject to such conditions or restrictions as the Board may prescribe in this behalf through a notification in the official Gazette.

Section-3: Situations for Levy of Sales Tax

Situation-9 [Section 3(8)]

In case of supply of natural gas to CNG stations, the Gas Transmission and Distribution Company shall charge sales tax from the CNG stations at the rate of eighteen per cent of the value of supply to the CNG consumers, as notified by the Board from time to time.

Section-3: Situations for Levy of Sales Tax

Situation-10 [Section 3(9)]

Taxation - Other Than Tier-1 Retailers

In addition to 18%, Following Tax to be charged through monthly electricity bills:

@ 5% - Monthly Bill not Exceeds Rs.20,000 or

@ 7.5% Monthly Bill Exceeds Rs.20,000

Issuance of order by Commissioner Inland Revenue over the person's classification as Tier-1 Retailer or otherwise.

Section-3: Situations for Levy of Sales Tax

Situation-11 [Section 3(9A)]

- Tier-1 Retailer as defined in Section 2 (43A).
- Tier-1 retailers shall pay sales tax at the rate as applicable to the goods sold under relevant provisions of this Act or a notification issued.

Section-3: Situations for Levy of Sales Tax

Situation-09 [Section 3(9AA)]

In respect of goods, specified in the **Thirteenth Schedule**, the minimum production for a month shall be determined on the basis of a single or more inputs as consumed in the production process as per criterion specified in the Thirteenth Schedule.

Section-3: Situations for Levy of Sales Tax

Situation-13 [Section 3(12)]

Notwithstanding anything contained in this Act, the Federal Government may, in lieu of or in addition to the tax under sub-section (9), by notification in the official Gazette, levy and collect such amount of tax at such rates and from such date as it may deem fit, from retailers, other than those falling in Tier-1, through their monthly electricity bill, and may also specify the mode, manner or time of payment of such tax:

The background features abstract, overlapping green geometric shapes, primarily triangles and polygons, in various shades of green, creating a modern and dynamic visual effect.

THANK YOU

Q/A Session